

PSCA RELEASES *54th ANNUAL SURVEY OF PROFIT SHARING AND 401(k) PLANS*

Survey Shows Participants Using New Investment Features While Not Tapping their Accounts

CHICAGO – (October 11, 2011) – The Plan Sponsor Council of America (PSCA), a national non-profit association committed to retirement savings through employer-sponsored defined contribution programs, has released its *54th Annual Survey of Profit Sharing and 401(k) Plans*, which provides the most up-to-date information available on current practices and trends in profit sharing and 401(k) plans. This latest survey shows that participants are increasingly using new plan investment features, while usage of hardship withdrawals and loans remain at low rates despite their wide availability.

The last few *Annual Survey* reports have demonstrated an increased availability of target-date funds and Roth 401(k). This year, though the overall availability has remained approximately the same, the usage of these features by plan participants has increased significantly. Nearly two-thirds of plans offer a target-date fund as an investment option with an average of 13.0 percent of plan assets invested, up from 10.0 percent of assets in 2009, and just 2.6 percent five years ago. Roth 401(k) has become increasingly available over the last few years – 45.5 percent of all plans now offer it, up from 18.4 percent in 2006. Nearly 25 percent more participants made Roth 401(k) deferrals in 2010 when offered the option.

“Recently, added design features are proving popular with participants,” said David Wray, PSCA President, “More of them are taking advantage of the employer-provided investment allocation programs and diversifying their tax-advantages. At the same time, participants are not pulling money out of their plans by taking hardship withdrawals or loans.”

Though the majority of plans offer hardship withdrawals (85 percent), only 1.9 percent of eligible participants took one in 2010, the same percentage as in 2009. Loans are also a common plan feature (nearly 90 percent of plans allow them), though usage has not changed much in the last ten years (remains about 24 percent of eligible participants).

PSCA's *Annual Survey* reports on the 2010 plan-year experience of 820 plans with 10.5 million participants and more than \$691 billion in plan assets. Plans represented in the survey are diverse, representing companies of all sizes and regions across the United States. The survey covers a wide variety of topics relevant to plan sponsors and the industry at large, including data on participation rates, catch-up contributions, company contributions, asset allocation, investment options, company stock, professional management, investment advice, automatic enrollment, and more.

Below are some additional highlights from the survey:

Asset Allocation

The average plan has approximately 63 percent of assets invested in equities. Assets are most frequently invested in actively managed domestic equity funds (25.1 percent of assets), target-date funds (13.0 percent), stable value funds (9.9 percent), indexed domestic equity funds (8.8 percent) and actively managed international equity funds (8.4 percent).

Automatic Enrollment

41.8 percent of plans have an automatic enrollment feature. Of those plans that have an automatic enrollment feature, 82.3 percent use this feature with new hires only and 17.7 percent use it for all non-participants. The most common default deferral is 3 percent of pay, and the most common default investment option is a target-date fund.

Company Contributions

Profit sharing plans tend to offer the most generous contributions, averaging 6.8 percent of pay. The average company contribution in 401(k) plans is 2.3 percent of pay and in combination plans it is 4.6 percent of pay.

Company Stock

14.7 percent of plans allow company stock as an investment option for both participant and company contributions and 3.2 percent of plans allow company stock as an investment option for company contributions only.

Employee Eligibility

89.0 percent of U.S. employees at respondent companies are eligible to participate in their employer's DC plan. Most companies allow employees to begin contributing to the plan immediately upon hire (59.2 percent of companies). Companies are more likely to have a one-year service requirement for non-matching contributions than for matching company contributions.

Hardship Distributions

Hardship withdrawals are permitted in 89.0 percent of 401(k), 85.8 percent of combination, and 4.5 percent of profit sharing plans. 1.9 percent of participants took a hardship withdrawal in 2010, when permitted.

Investment Options

Plans offer an average of 18 funds for both participant and company contributions. The funds most commonly offered to participants are actively managed domestic equity funds, actively managed international equity funds, indexed domestic equity funds, and actively managed domestic bond funds.

Investment Advisors

67.9 percent of companies retain an independent investment advisor to assist with fiduciary responsibility.

Investment Advice

Investment advice is offered by 57.6 percent of respondent companies. 22.3 percent of participants used advice when it was offered.

Loan Availability

Loans are permitted in 88.8 percent of 401(k), 89.4 percent of combination, and 23.8 percent of profit sharing plans. 52.8 percent of plans with loans permit only one loan at a time.

Participation

The average percentage of eligible employees who have a balance in the plan is 86.3 percent. An average of 76.9 percent of eligible employees made contributions to the plan in 2010, when permitted.

Roth 401(k)

45.5 percent allow participants to make Roth after-tax contributions. 16.1 percent of participants made Roth contributions when offered the opportunity.

Target-Date Funds

63.6 percent of plans now offer a target-date fund as an investment option. The average allocation of plan assets increased thirty percent from 2009 to 13.0 percent.

Vesting Schedules

37.3 percent of plans provide immediate vesting for matching contributions, while 23.3 percent provide immediate vesting for profit sharing contributions.

About the Plan Sponsor Council of America

PSCA, a national non-profit association of 1,200 companies and their six million employees, advocates increased retirement security through profit sharing, 401(k) and related defined contribution programs to federal policymakers. PSCA makes practical assistance available to its members with profit sharing and 401(k) plan design, administration, investment, compliance and communication materials. PSCA, established in 1947, is based on the principle that “defined contribution partnership in the workplace fits today’s reality.” PSCA's services are tailored to meet the needs of both large and small companies with members ranging in size from Fortune 100 firms to small, entrepreneurial businesses.

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